


**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
BOARD OF ADMINISTRATION
FINANCE COMMITTEE**

MINUTES OF MEETING

February 15, 2011



The Finance Committee met on February 15, 2011, in the Robert F. Carlson Auditorium, Lincoln Plaza Building, 400 Q Street, Sacramento, California.

The meeting was called to order at 12:33 p.m. and the following members were present:

Henry Jones, Chair
Louis F. Moret, Vice Chair
Terry McGuire for John Chiang
JJ Jelincic
Grant Boyken for Bill Lockyer
Tony Oliveira

Excused Member(s):

Other Board Member(s):

Richard Costigan

AGENDA ITEM 2 – APPROVAL OF DECEMBER 14, 2010, MEETING MINUTES

The minutes were approved as presented.

AGENDA ITEM 3a –CHIEF AUDITOR’S REPORT

Margaret Junker, Chief Auditor, presented a matrix reflecting the status of various activities occurring within the Office of Audit Services to the Committee as an information item.

AGENDA ITEM 3b – MANAGEMENT LETTER

Ms. Junker and staff from Macias Gini & O’Connell LLP presented the 2010 draft management letter to the Committee as an action item.

On **MOTION** by JJ Jelincic, **SECONDED** and **CARRIED**, the Committee recommended the Board accept the 2010 draft management letter as prepared by Macias Gini & O’Connell LLP for the fiscal year ended June 30, 2010.

AGENDA ITEM 3c – STATE LEGISLATIVE PROPOSAL: RECOVERY OF ADDITIONAL AUDIT COSTS

Danny Brown, Chief, Office of Governmental Affairs, presented a State legislative proposal to allow CalPERS to recover additional costs when an employer audit exceeds the estimated timeframe for completion.

On **MOTION** by Tony Oliveira, **SECONDED** and **CARRIED**, the Committee recommended the Board approve sponsoring legislation to allow CalPERS to assess a reasonable amount on employers to recover additional costs incurred for time which exceeds the estimated time to complete an audit.

AGENDA ITEM 4a – CHIEF COMPLIANCE OFFICER’S ANNUAL REPORT

MaryLee Miglino, Assistant Chief, Office of Enterprise Compliance, presented the annual report to the Committee as an information item.

AGENDA ITEM 4b – COMPLIANCE OFFICE REPORT

Sherry Johnstone, Chief Compliance Officer, presented the report to the Committee as an information item.

AGENDA ITEM 4c – CalPERS ETHICS HELPLINE REPORT

Ms. Johnstone presented the report to the Committee as an information item.

AGENDA ITEM 5a – CONTINGENCY RESERVE FUND 2010-11 ADJUSTMENT

Steve Pietrowski, Assistant Chief, Fiscal Services Division, presented this item to the Committee as an action item.

On **MOTION** by Lou Moret, **SECONDED** and **CARRIED**, the Committee recommended the Board approve the following:

1. The Committee accepts a net decrease to the Contingency Reserve Fund (CRF) of \$717,000 in the FY 2010-11 for a total CRF budget of \$25,904,000

and recommends the Board of Administration (Board) approve this revised budget.

2. The Committee accepts an increase to the Public Employees' Retirement Fund (PERF) of \$717,000 in the FY 2010-11 for a total PERF budget of \$265,423,000 and recommends the Board approve this revised budget.
3. The Committee accepts the proposed CalPERS FY 2010-11 cost allocation adjustment to the CRF and PERF, and recommends the Board approve the cost allocation.
4. The Committee recommends the Board approve the transmittal of this agenda item to the Joint Legislative Budget Committee and the Fiscal Committees of the Legislature, the State Controller, and the Department of Finance, in accordance with the Budget Act of 2010 (Budget Act), and to the Legislative Analyst's Office and the State and Consumer Services Agency.

AGENDA ITEM 5b – ACCOUNTING ACTION PLAN 2011

Joan Parks, Assistant Chief, Fiscal Services Division, presented the 2011 Accounting Action Plan to the Committee as an information item.

AGENDA ITEM 5c – QUARTERLY DELINQUENCY REPORT

Dave Cornejo, Interim Chief, Fiscal Services Division, presented the report to the Committee as an information item.

AGENDA ITEM 5d – CURRENT BUDGET ISSUES

Mr. Pietrowski presented State Budget issues to the Committee as an information item.

AGENDA ITEM 5e – CURRENT FINANCIAL REPORTING ISSUES

Mr. Cornejo presented recent actions by the Governmental Accounting Standards Board to the Committee as an information item.

AGENDA ITEM 6a – CalPERS 2010-11 BUSINESS PLAN UPDATE

Nancy Quinlan, Chief, Strategic Management Services Division, presented the updates to the CalPERS 2010-11 Business Plan to the Committee as an action item.

Staff recommended a target date change from December 2010 to June 2011, to Enterprise Priority 3, Objective 2, to allow time for two webinars to be conducted.

Steve Kessler, Deputy Executive Officer, Operations, discussed five specific action steps identified at the Diversity Inclusion Executive Steering Committee meeting that will help address the lack of progress made in this area. The five actions steps are as follows:

1. Review the objectives for the 2011-12 business plan to make sure the initiatives addressed in the survey and its deficiencies are reviewed.
2. Develop a specific CEA performance objective for 2011-12 for all Executives to be accountable for diversity and inclusion.
3. Share the survey results with leadership, the Board of Administration, and all staff.
4. Conduct a focus group of employees to analyze the survey results and the employee comments, and charge this group to develop specific recommendations and solutions.
5. Conduct a Leadership Town Hall meeting on diversity

Periodic updates regarding the five action steps will be provided by Mr. Kessler.

On **MOTION** by JJ Jelincic, **SECONDED** and **CARRIED**, the Committee recommended the Board approve changing the target due date for Enterprise Priority 3, Objective 2 from December 2010 to June 2010.

AGENDA ITEM 7a – ASSISTANT EXECUTIVE OFFICER’S REPORT ON INFORMATION TECHNOLOGY ACTIVITIES

Dale Jablonsky, Assistant Executive Officer, presented a matrix reflecting the status of various activities occurring within the Information Technology Services Branch to the Committee as an information item.

AGENDA ITEM 8a – INTERIM ASSISTANT EXECUTIVE OFFICER REPORT

Russ Fong, Interim Assistant Executive Officer, Administrative Services Branch, presented a matrix reflecting the status of various activities occurring within the Administrative Services Branch to the Committee as an information item.

AGENDA ITEM 8b – PROPOSED MARCH 2011 AGENDA

The proposed agenda was approved as presented.

AGENDA ITEM 9a – PUBLIC COMMENT

There was no public comment.

The meeting of the Finance Committee was adjourned at 2:23 p.m.

The next Finance Committee meeting is scheduled for March 15, 2011, in Sacramento, California.

Date: _____

STEPHEN W. KESSLER
Deputy Executive Officer, Operations